



**Director of
Central
Intelligence**

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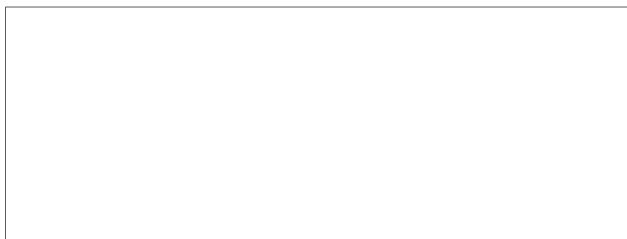
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National Intelligence Daily

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**Monday
9 March 1987**



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PHILIPPINES:**Opposition Candidates Register for Senate Races**

President Aquino's opponents, registering yesterday for the senate races in the May election, appear unlikely to gain control of the upper chamber, which must approve any bilateral agreement on the US bases. [redacted]

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Former Defense Secretary Enrile—who had previously indicated he would run for the house of representatives—will lead a unity ticket candidates from several conservative parties. Included are erstwhile Marcos supporters, such as former Labor Secretary Blas Ople, and several former legislators who opposed Marcos but who have become critical of the Aquino government. Attempts to include the remnants of Marcos's New Society Movement (KBL) party collapsed last weekend when other opposition politicians refused to share the senate slate with diehard Marcos loyalists, despite reports that the KBL offered massive funding in exchange for inclusion. [redacted]

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The People's Party—a Communist front—has announced it will support several candidates including the founder of the Communists' military organization and Jaime Tadeo, who led the violent demonstration outside the presidential palace in January. [redacted]

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Comment: The inclusion of several relatively obscure candidates on President Aquino's senate slate seems to have encouraged her opponents, although they probably do not expect to gain a majority in the upper chamber. In fact, several opposition candidates including Tadeo and Ople may have to bow out of the race if the Supreme Court upholds a presidential order barring from the election those who helped draft the constitution. The opposition's plans should become clearer as the deadline for registering candidates for the house of representatives approaches later this month. [redacted]

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Enrile's last-minute decision to run for the senate almost certainly reflects his belief that the senate, a traditional grooming spot for presidential hopefuls, will be a better platform for his political ambitions. He also may believe that, because the senate is elected at large, a well-known opposition politician stands a fair chance of winning. The Communists see the election mainly as an opportunity to propagandize and do not expect the People's Party to take many seats. [redacted] Both the right and the left reportedly are having organizational problems, a factor that may mitigate the effect of similar difficulties among Aquino's candidates. [redacted]

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KUWAIT-US-USSR: Protection of Kuwaiti Oil Tankers

Kuwait will probably agree to the US offer—in response to its request—to protect Kuwaiti tankers transiting the Persian Gulf but may continue to seek to register a small number of its tankers under the Soviet flag and to increase the Soviet naval presence in the Gulf in the interest of maintaining a balanced East-West foreign policy. [redacted]

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The offer directs US Navy vessels to protect Kuwaiti petroleum carriers under either US or Kuwaiti registry. Kuwait had asked that 11 of its tankers be changed to US registry in an attempt to ward off Iranian ship attacks. The offer also provides for increasing the US 25X1 naval presence in the Gulf from four to seven ships. [redacted]

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Comment: The US offer [redacted] [redacted] probably will temporarily stall a Kuwaiti-Soviet agreement to protect oil tankers. The Kuwaitis, however, probably will quickly seek to appease Soviet concerns over their past use of Soviet flags and call signs and may continue to seek Soviet protection. Kuwait historically has been hesitant to appear too closely aligned with either the US or the USSR and may feel that US naval protection, without at least token Soviet involvement, may not be compatible with its balanced foreign policy. The decision to continue seeking Soviet protection is likely to create controversy within the Kuwaiti leadership. Diplomatic pressure from other Gulf states—similar to that promised by Bahrain—and additional offers of protection from France and the UK may be successful in influencing the Kuwaiti decision. [redacted]

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Although outside protection will probably temporarily disrupt the Iranian campaign to attack Kuwaiti tankers, Iran is likely to use other measures, such as terrorist attacks, to limit Kuwaiti petroleum exports. [redacted]

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**WEST GERMANY-
LIBYA:****Tripoli Getting US Missile Parts**

The reported delivery to Libya of US-designed solid-propellant rocket motors by a [redacted] is trying to develop a new surface-to-air system, although the technology could be applied to Libya's surface-to-surface missile program. [redacted]

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[redacted] received an unspecified number of rocket engines of the type used in the [redacted] firm

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Bayern-Chemie in December. Bayern-Chemie, a wholly owned subsidiary of Messerschmitt-Boelkow-Blohm, has a technology transfer agreement with a US firm to produce the motors and propellants for the [redacted] Libya reportedly has also requested but not received the phased-array radar system used in conjunction with the Patriot system [redacted]

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[redacted] is providing technical assistance on the airframe and guidance system of the missile. [redacted]

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Comment: Tripoli's request for both the Patriot motor and the phased-array radar may indicate that Libya intends to develop a new surface-to-air system based on proven Western technology and equipment. Qadhafi almost certainly feels a need to improve Libyan air defenses, but the country lacks the technical and industrial base to develop or reverse engineer a surface-to-air missile as advanced as the Patriot system. Thus, the system would probably have to be acquired in its entirety through various Western firms. [redacted]

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The acquisition of the solid-propellant technology in the Patriot motor could also advance Libya's longstanding program for developing a surface-to-surface missile. Although Western firms could convert the single-stage, solid-propellant Patriot motor into a tactical conventional warhead rocket or missile, such a system would probably have a range of only 90 miles (150 kilometers) and carry a payload of 185 pounds (85 kilograms). Therefore, Libya will probably not convert the Patriot motor into a surface-to-surface missile directly. [redacted]

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This is not the first time this company has been involved in technology transfer. [redacted]

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DIA Comment: There is no evidence to substantiate that this missile technology transfer has occurred. Such blatantly illegal and shortsighted activity would be detrimental to other important US contractual efforts with MBB. We believe the [redacted]

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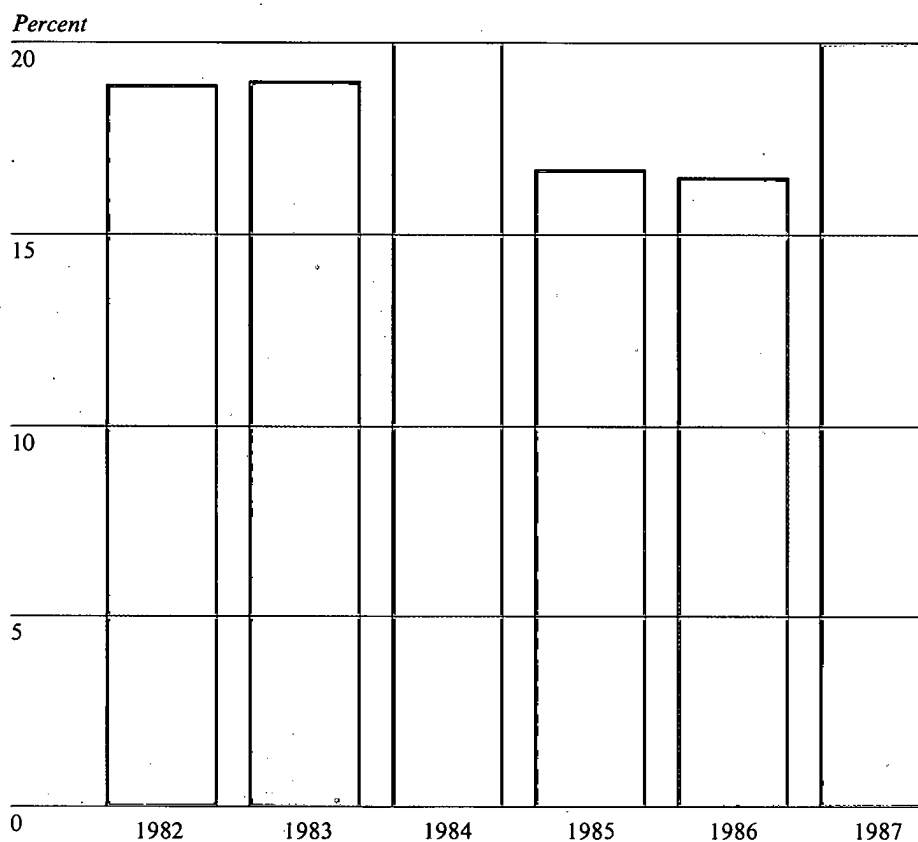
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**India: Defense Spending as a Percentage of the
Total Government Budget**



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INDIA: Increases in Defense Spending

India's new budget proposes a 43-percent jump in defense expenditures as well as a large increase in spending on social welfare programs such as education, housing, and rural development. New Delhi hopes to cover the increased spending through higher excise taxes and better enforcement of tax laws, ~~according to the US Embassy~~ but Indian finance officials still expect a deficit of about \$5 billion.

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Comment: The growing emphasis on defense spending, which includes large armaments purchases and military pay hikes, is New Delhi's response to what it perceives as improvements in the armed forces of Pakistan and China. These spending increases and those for social services leave the government little room, however, to pursue its industrial modernization and economic liberalization programs. New Delhi is likely to increase its criticism of US assistance to Pakistan as large deficits spurred by the higher defense spending hamper economic growth and fuel inflation.

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SYRIA-FRANCE: Warming Relations

Syrian President Assad has agreed to help France by clamping down on the Lebanese Armed Revolutionary Faction in the hope of promoting greater political and economic cooperation with Paris. In response to a French envoy's concern about possible renewed LARF terrorism following the conviction of its former leader, Georges Abdallah, Assad said he would not support LARF and is increasing harassment of LARF members in Lebanon.

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The US Embassy in Damascus reports that, in return, Assad wants France to mediate an agreement with Lebanese Christians and to negotiate a resumption of French aid.

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Comment: Assad probably hopes improved ties to France will help break Damascus out of the political and economic isolation that has followed public revelations of Syria's involvement in terrorism. In past months, Damascus has promised to help free French hostages in Lebanon, but Syria's ability to discourage LARF activities outside Lebanon is not yet clear. France will probably suggest that Lebanese Christians accept a Syrian-arranged political settlement in Lebanon but will continue to hold back aid, at least until the issue of Syria's debt to France, estimated at \$50 million, is resolved.

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**Norway:
Thorvald Stoltenberg**

Age 55 . . . respected for negotiating skill . . . Defense Minister 1979-81, has since served as Chairman of Labor Party International Committee . . . regards MBFR as offering major opportunity for progress in East-West relations . . . believes NATO's two-track strategy on INF spurred progress on arms control . . . deputy mayor of Oslo since late 1985 . . . unassuming, engaging, straightforward.

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NORWAY: New Foreign Minister

According to press reports, foreign affairs expert and Labor Party moderate Thorvald Stoltenberg will be named today to succeed the late Knut Frydenlund as foreign minister. A staunch NATO supporter, Stoltenberg regards the US as the irreplaceable guarantor of Norway's security but is skeptical of SDI. He is also a prominent Socialist International spokesman on Central America who is highly critical of US aid to the Nicaraguan rebels. Stoltenberg is nonetheless disillusioned with the Sandinistas and opposes any increase in Oslo's current level of aid to Managua.

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Comment: Prime Minister Brundtland apparently selected Stoltenberg because he represents experience and continuity: he is a former Defense Minister, and his policy views and nonconfrontational style are identical to Frydenlund's. He has played a major role in Socialist International attempts to articulate a distinct European position between the US and the USSR, and he will probably continue this approach as foreign minister. He will also support increased discussion of the Nordic nuclear-weapons-free zone, when Nordic Foreign Ministers meet later this month, as part of the Nordic effort to promote peace.

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ROMANIA: Ceausescu Traveling Despite Unrest at Home

President Ceausescu begins today an extensive trip to South Asia despite rumors of growing disenchantment in the government and despite sporadic protests caused by economic austerity. He also plans to visit several African countries in April.

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Comment: Ceausescu appears confident that his powerful security apparatus will remain firmly in control during his absence. ^{US} Embassy reports, however, indicate, however, heightened levels of dissatisfaction among more pragmatic Romanian officials frustrated by Ceausescu's strong rejection of Gorbachev-style reforms. These officials may be tempted to try to replace Ceausescu while he and his powerful wife are out of the country. Ceausescu's main goals in traveling now are to posture as an international statesman and to boost Romanian sales of industrial and agricultural machinery, construction and geological services, and military equipment—the last to both moderate and radical regimes.

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In Brief

Middle East

Press reports **Libyan** revolutionary committee building blown up in Banghazi area . . . [redacted] work slowdown in retaliation for execution of murderers of committee member . . . suggests growing discontent over Qadhafi's policies. [redacted]

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International

High-level **Soviet** Foreign Ministry official reportedly to attend today's NAM meeting in **Guyana** . . . attendance unprecedented, probably reflects increased interest in NAM, Latin America, concern over improving US-Guyana relations. [redacted]

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Africa

Botswana still considering **Soviet** offer to sell military equipment to help improve border defenses . . . senior military official reportedly visiting Moscow later this month . . . may hope prospect of deal will convince US to increase military aid. [redacted]

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Attacks on Indians in **Madagascar** ^{reportedly} spreading, according to ~~US Embassy~~ . . . police having difficulty containing violence . . . President Ratsiraka may soon have no choice but to increase role of Army, already thinly spread, to restore order. [redacted]

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East Asia

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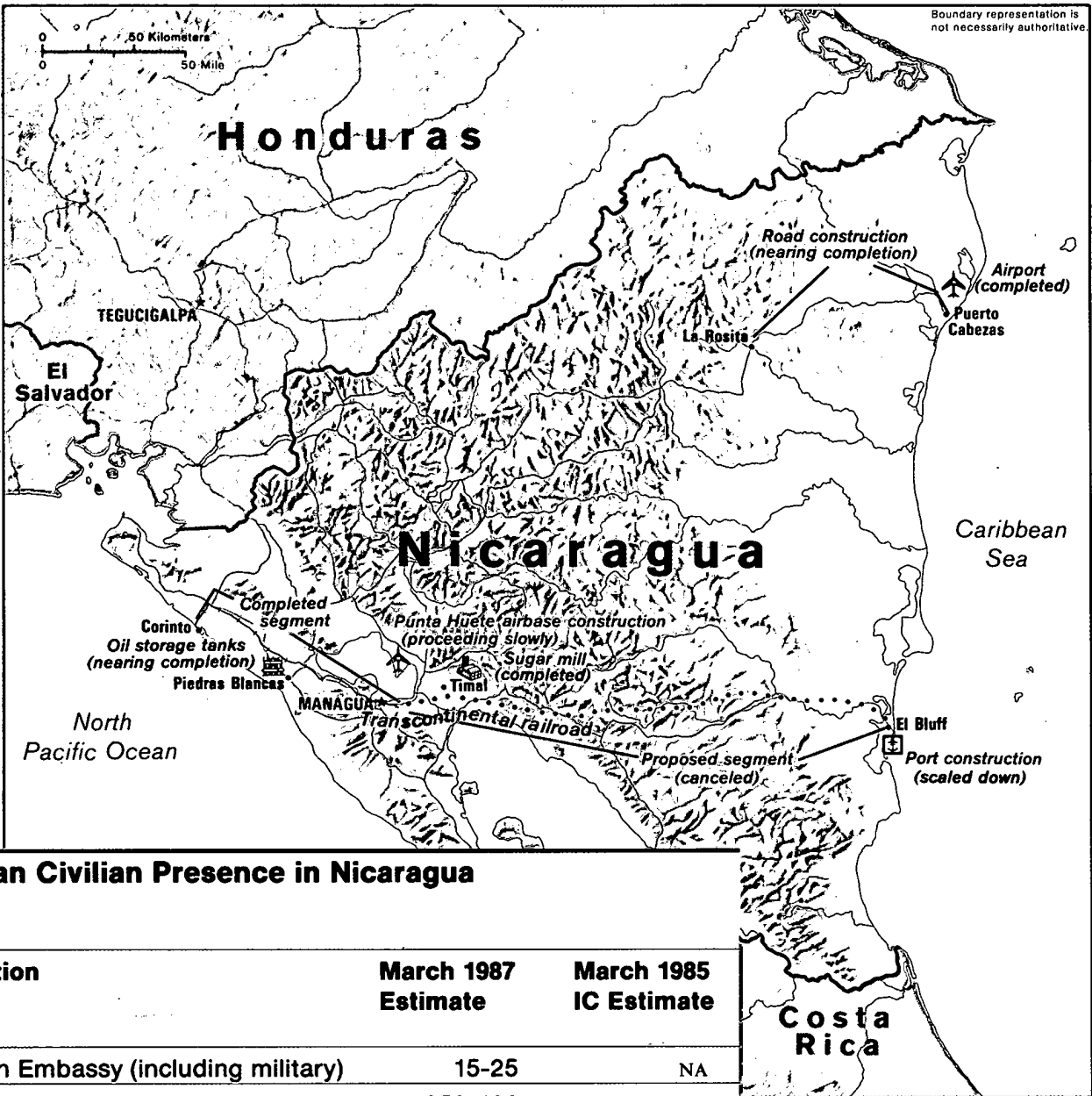
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Selected Cuban-Sponsored Construction Projects



Cuban Civilian Presence in Nicaragua

Function	March 1987 Estimate	March 1985 IC Estimate
Cuban Embassy (including military)	15-25	NA
Communications	350-400	a
Agriculture	400-700	a
Construction	500	2,000
Medical	300	300
Government ministries	250-500	1,000-1,500
Total	1,815-2,425	3,300-3,800
Working estimate (rounded)	2,000-2,500	3,500-4,000

^a Included under government advisers in March 1985 estimate.

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Special Analysis**CUBA-NICARAGUA: Changing Cuban Presence**

Over the past two years, Havana has completed, scaled back, or canceled a number of the construction projects it has sponsored in Nicaragua. As a result, ~~the Intelligence Community has reduced its 1985 estimate of the number of Cuban civilian advisers in Nicaragua by 1,500, to 2,000 to 2,500. The Community has reaffirmed its estimate of some 2,000 to 2,500 Cuban military personnel in Nicaragua, taking into account reports that Havana recently sent additional military personnel.~~

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Generally reliable sources report that several of the Cuban-backed construction projects in Nicaragua, such as the sugar mill at Timal and the crude oil storage facility at Piedras Blancas, either have been completed or are nearing completion.

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no
Mounting economic problems probably have influenced Cuba's decision to reduce the level of its civilian support. In mid-1985, according to a generally reliable source, Cuban officials turned down a Sandinista request for large amounts of aid for the Nicaraguan sugar industry. These officials reportedly complained that Cuba's own economic problems had become too severe to provide foreign assistance on such a large scale.

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Havana is putting more emphasis on the quality of assistance than on the size of its civilian advisory presence in Nicaragua. Earlier this year, Nicaraguan Foreign Cooperation Minister Ruiz noted that, in technical agreements, the two countries will strive for efficiency rather than having Cuban technicians present "simply to show solidarity."

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In addition, hundreds of Nicaraguans have returned home after completing training in Cuba, further reducing Havana's need to supply Managua with more advisers. In July 1985, the Nicaraguan press celebrated the return of the first group of 2,000 "popular

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teachers" and later identified 115 Nicaraguan medical technicians as part of a group of 430 technicians returning from schooling in Cuba.

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Cuban Military Presence

several hundred Cuban military advisers may have been sent to Nicaragua in late 1986 and that they are now serving throughout the Nicaraguan military. Previous reporting has indicated that Cuban advisers have served primarily with headquarters and high-echelon units and only infrequently with units in the field. Nonetheless, the number of Cuban military advisers in Nicaragua has probably stabilized at 2,000 to 2,500.

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Outlook

Because several Cuban assistance programs, such as the provision of medical personnel and the construction of Punta Huete airbase, are continuing, the Sandinistas will probably remain heavily dependent on Cuban civilian advisers over the near term. As projects are completed, shelved for economic reasons, or abandoned, further decreases in Havana's civilian aid programs—together with reductions of personnel—can be expected. Reliable numbers of Cuban civilians in Nicaragua are likely to remain elusive, however, because of the types of projects and the fluidity of assistance rendered by Havana.

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The reported arrival of several hundred Cuban military advisers—who may now be serving at lower echelons—would suggest that both Havana and Managua are concerned that, with renewal of US military aid to the insurgents, rebel operations against the Sandinistas could escalate over the next several months. Should the military situation worsen dramatically or should the Nicaraguans acquire more advanced weapons such as SA-2s or SA-3s, Managua probably would call for, and get, additional Cuban military advisers.

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Special Analysis**SOUTH AFRICA:****The ANC's Strategy**

African National Congress leaders recently decided that guerrilla attacks should continue but that diplomatic efforts to increase domestic and international pressure on Pretoria should take precedence.

Many ANC guerrillas, however, almost certainly disagree, and some are likely to stage more aggressive attacks against South African targets.

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The ANC's ruling National Executive Committee decided last month that the group should focus on diplomatic initiatives this year,

A majority favored continuing the current level of guerrilla activity, arguing that intensified attacks, which some favored, would only lead to a harsher crackdown on the black opposition in South Africa.

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The ANC's decision comes against a backdrop of recent successes in its diplomatic efforts. The group's vigorous lobbying has helped get tougher international sanctions against South Africa. ANC officials have welcomed the warming trend in relations with the West—highlighted by the meeting earlier this year between ANC President Tambo and Secretary Shultz—and the growing number of foreign firms that have withdrawn from South Africa.

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Various ANC officials reportedly admit privately that stronger South African interdiction efforts and restrictions placed on ANC personnel by nervous black governments in the region have hindered the group's military campaign.

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Communist Support

The Soviets, who want to ensure the ANC's long-term unity and viability, probably support the group's shift in tactics. According to the US Embassy in Moscow, the Soviets apparently believe the ANC should avoid actions—such as attacks against white civilians—that could lessen the group's acceptance among whites or lead Pretoria to abandon reform altogether. Moscow, however, clearly wants to prevent significant gains in Western influence with the ANC, and Soviet press reports continue to stress the need for "armed struggle" by the ANC and to justify its use.

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Pro-Soviet Communists in the ANC also seem to support greater emphasis on diplomatic activity. South African Communist Party General Secretary Joe Slovo, who is also the ANC's chief of staff, told [] he expects a negotiated transition of power in South Africa and predicts Pretoria will negotiate with the black opposition within six months of the imposition of comprehensive, mandatory international sanctions. In the past, Slovo had spoken and written extensively of the inevitability and desirability of a violent revolution in South Africa. []

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Outlook

Despite the decision to avoid greater military activity, an outburst of unrest in the townships or a South African cross-border attack against ANC targets would force ANC leaders to increase guerrilla activity to reassert their revolutionary credentials with blacks inside South Africa. Moreover, elements in the ANC's military wing could decide on their own to launch a series of more aggressive attacks at any time. []

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The white general election in May will test the ANC's decision to give priority to political activities. Recent statements by ANC leaders already suggest there are disagreements over whether the group should attempt to disrupt the election. []

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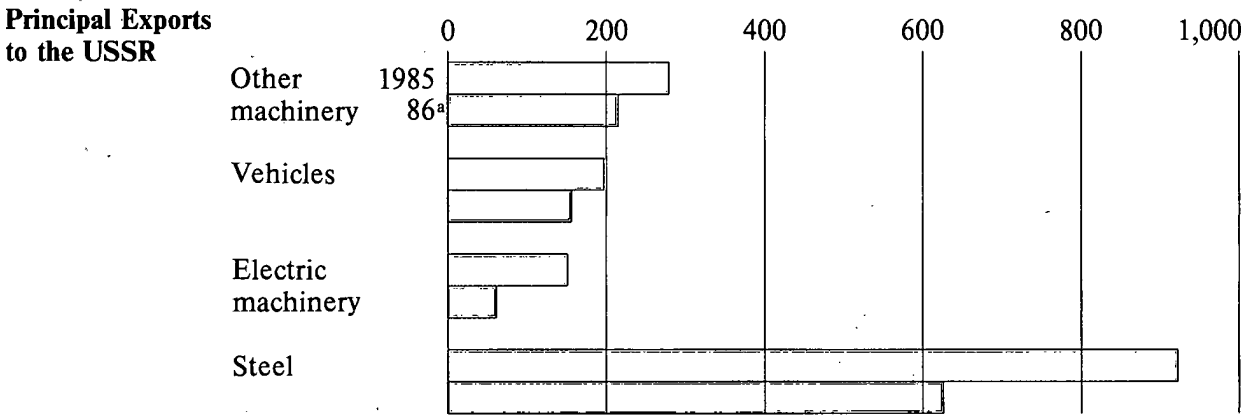
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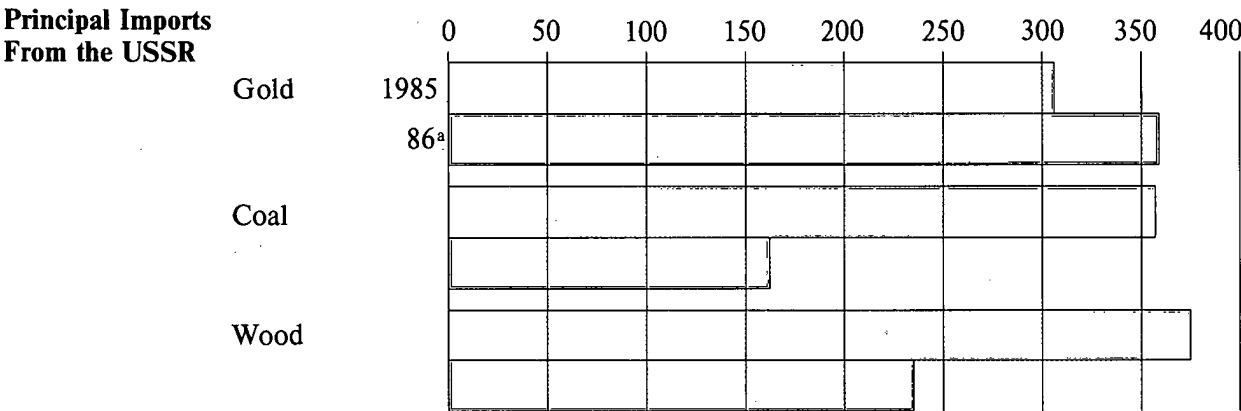
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Japan and USSR: Trade

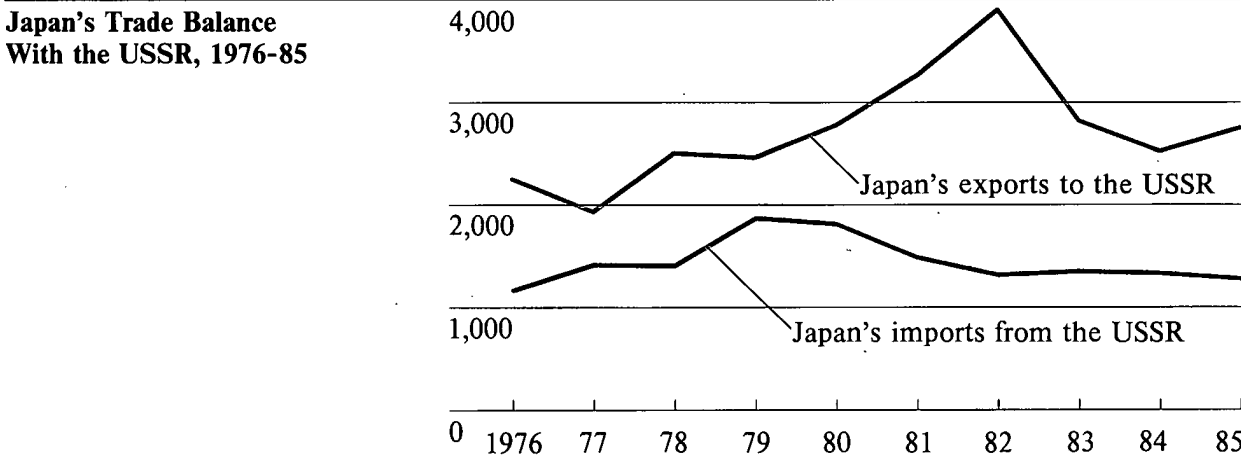
Million US \$ (Note change of scale)



^a January through June data.



^a January through June data.



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Special Analysis**JAPAN-USSR:****Tokyo Confident in Dealing With Moscow**

Prime Minister Nakasone sees Soviet General Secretary Gorbachev's interest in better bilateral relations as long overdue. There are significant obstacles to rapid improvement, however, and Soviet blandishments do not threaten Tokyo's fundamental alignment with the West.

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Gorbachev's speech in Vladivostok in July signaled greater interest in Asia and seemed to reflect a new judgment that Moscow could better serve its interests by giving Tokyo a higher policy priority. In contrast to the previous Soviet approach, which alternately ignored or bullied Tokyo, Moscow would like to increase its influence in Japan and is eager to tap Japanese capital, technology, and markets.

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Japanese Confidence

Nakasone would like to demonstrate that Japan has global power status and can deal with the Soviets on the same basis as West European countries. he would like to take the credit for improved ties in order to bolster his political standing as he nears the end of his term in October. Under Nakasone, Tokyo has become more aggressive about pressing its views, including its claims to Soviet-occupied islands, that Japan calls the Northern Territories, and its concerns about SS-20 missiles based in the Soviet Far East.

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Japanese confidence in the alliance with the US, better ties to Asian neighbors, and stronger identification with Western interests underlie this assertiveness. Nakasone's more forthright positions on defense and security issues, however, have drawn strong Soviet criticism in recent months, and Moscow seems to have lowered its expectations for early progress. The Soviets rejected his preference for an early summit in January, although both sides say they will reexamine the question this spring.

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Little Substantive Progress Likely

Differences over the Northern Territories remain a fundamental obstacle to better relations, and neither Tokyo nor Moscow shows any sign of compromise. In addition, the trade outlook is bleak, with Soviet shortages of hard currency and the stronger yen making it unlikely that Japanese exports to the USSR will increase beyond the \$2.8 billion annual level reached in 1985. Moreover, Japan's shift from

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resource-intensive manufacturing to high-technology industries means less demand for Soviet energy and raw materials. [REDACTED]

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Incremental shifts in these and other factors—such as mutual distrust and uncertain US-Soviet relations—could improve prospects somewhat, but Moscow is no rival for Tokyo's strong strategic political and economic alignment with the West. The USSR nonetheless will try to weaken Tokyo's identification with the West, using its ready access to Japanese audiences to push initiatives on nuclear disarmament and on other controversial issues. Japanese-US consultations, which have increased in recent years, will gain even greater importance as Tokyo expands its dialogue with Moscow.

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